

The Differences of Registration Systems in Chinese and the U.S. and Implications

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Abstract. As a matter of fact, registration systems are crucial for stock markets and financing of companies, which is different in different countries and regimes. In November 2013, the purpose of China securities regulatory commission is to strength the status of market as the role of resource allocation. With the continuous development the issuance, trading system of listed companies' reforms registration system, which promotes the efficiency of market operation and information disclosure level. With this in mind, this paper tracks the history of registration system in the United States, analyses the risk in the progress of market registration. Due to significant different political and cultural system, this paper also discusses the differences between the registration systems of China and the United States, the reasons for the differences and the enlightenment to the development of the registration system in China. Overall, these results shed light on guiding further exploration of registration system development.

Keywords: Registration systems, stock market.

1. Introduction

The issuance system of the securities market aims to improve market efficiency, reduce the threshold for listing of enterprises, and improve the health developed of the capital market. China has implemented the registration system of securities issuance, also as everyone knows the registration system, which meaning that issuers should apply to the securities regulatory authorities for registration in accordance with the conditions, procedures stipulated by law before public offering and issuance of securities [1-3]. It provides all relevant information related to the release, bear legal responsibility for the authenticity and reliability of the information. The registration system is a securities issuance supervision system based on the "open principle" with the information disclosure system as the core. Under this system, the securities regulatory authorities do not need to substantively examine the information provided by the issuer [4], but also need to conduct a formal review of the authenticity, comprehensiveness and precision of the materials according to the laws. In other words, regulators do not need to make individual value judgments about securities issuance; the quality of securities and the risk of their issuance are left to the market [5].

Since the official opening of the domestic A-share science and Technology innovation Board in July 2019 to the official launch of the current domestic A-share stock issuance registration system, the practice of the A-share registration system has also experienced more than three years. With the succession exploration and deepening of the innovation of the securities market, under the background that the domestic securities industry is facing huge development opportunities and major historical missions, the review system of Chinese and American registered issuance and listing has become more and more important. By comparing the review system of Chinese and American registered issuance and listing, this paper discusses the differences between the current Chinese and American registration systems, the reasons of differences and the enlightenment for the development for the China's registration system [6, 7].

2. Development of the Registration System in China and the United States

The registration system originated in the United States, and on March 30, 1911, the Kansas Legislature passed the state's first securities regulation law. Legal securities issuance registration

based on substantive examination adopts "value judgment supervision". Subsequently, most US states followed Kansas and enacted their own securities regulation law [5-7]. These laws are collectively known as "blue sky laws." In 1933, when the United States was at the end of the great economic crisis and stock market crash of 1929, it promulgated the Securities Exchange Act and formally established the "dual registration system" of stock issuance. In order to sum up the experience and lessons, a corrective measure to completely free issuance and damage the interests of investors was to strengthen the institutional arrangement of issuance supervision. It is also a highly market-oriented audit method.

In China, in November 2013, the Third Plenary Session of the 18th CPC Central Committee proposed for the first time to "promote the reform of the stock issuance registration system." In October 2020, In October 2022, the Party's 20th National Congress report proposed to "improve the function of the capital market and increase the proportion of direct financing." In early 2023, the Party Central Committee and State Council approved the Overall Implementation Plan for the Full Implementation of the Stock Issuance Registration System; On February 17, the China Securities Regulatory Commission issued the relevant system rules for the full implementation of the stock issuance registration system, and the matching system rules of the stock exchange, the National stock exchange Company, the China Securities Registration and Clearing Company Limited, the China Securities Finance Company Limited, and the Securities Association of China were also issued and implemented. The gradual market-oriented evolution of China's securities issuance system from the approval system, the approval system to the registration system not only shows the unremitting efforts of the regulators to relax control and reduce market intervention, but also reflects the deep understanding of the regulators and even the whole market body on the concept of "making the market play a decisive role in resource allocation instead of the government". The reform of the comprehensive registration system carried out with the renewal of the concept and the deepening of the understanding clearly demonstrates the continuous optimization of the adjustment of the relationship between the government and the market in China's capital market. After 10 years of exploration and accumulation, the idea of China's capital market issuance registration system has finally been fully implemented in each market segment of the national stock exchange. As an important measure to deepen the reform of China's capital market, the smooth landing of the registration system is not only a milestone event to improve the innovation of the market-oriented allocation system and mechanism of factors under the background of accelerating the construction of a unified large market in China, but also a landmark achievement in the basic reform of China's capital market and even the entire financial system [8].

Both the Chinese stock market and the American stock market have some commonalities in their registration systems: first, how the company issues shares depends on the choice of the market, and the market players conduct game pricing; The second is to establish a rigorous and complete information disclosure system based on information disclosure. Third, regulators and exchanges mainly review whether the application documents are true, accurate and complete, do not endorse the company, and the entire registration process is efficient and open and transparent; Fourth, all market entities return to their positions and fulfill their duties; Fifth, strengthen supervision and law enforcement. However, the registration system originated in the United States. Compared with the United States, China's registration system started late and is in the trial stage, with incomplete marketization and small regulatory penalties, which still needs further development, improvement and promotion [9].

3. Differences between Chinese and American Registration Systems

In the United States, the Securities and Exchange Commission (SEC) is the nation's primary federal regulator of corporate and securities markets, responsible for protecting investors, ensuring fair and efficient markets, and promoting capital formation. In terms of issuance and listing review, the SEC will conduct an in-depth investigation of the company's financial situation before making a

review decision on the company's information, and assume the responsibility of strict supervision. In China, companies issuing securities need to submit an application for approval by the China Securities Regulatory Commission (CSRC) and its local securities regulatory bureaus. Unlike the SEC in the US, the CSRC lacks the necessary oversight to check the quality, authenticity and completeness of company data. In addition, China's securities market regulators are decentralized and unevenly distributed, leading to lax enforcement of laws and regulations and frequent corruption [5, 10].

China's securities market used to operate under the "approval system", but the registration system was piloted on the Science and Technology Board only on November 5, 2018. The domestic registration system is applicable to the issuance of new shares, aiming to achieve a balance between supply and demand of stocks through market demand-oriented, and the pricing of new shares is completely dependent on the market mechanism and investor demand.

The US securities market adopts the "registration system" issuance system, in which the company needs to submit an IPO registration application to the SEC, and publicly disclose the various risks and problems existing in the company according to the requirements of the US Securities Law, while safeguarding the legitimate rights and interests of investors. In the US securities market, the pre-IPO issuance system is rather complicated, which needs to meet the different demands of investors on the company's issuance agreement, and also needs the company to make timely adjustment to the feedback of the market. This requires the company to have a true disclosure and evaluation of their own business. Through the implementation of the registration system, the US securities market guarantees the process of IPO issuance, information transparency and the principle of fair competition.

First of all, the financial disclosure regulations of China and the United States differ. When reviewing the company's listing materials, the SEC will independently review the detailed disclosure of the company's financial policies, accounting policies and accounting bookkeeping and make audit decisions. In addition, the SEC also requires companies to disclose their financial reports and annual reports at a fixed time to ensure that the company complies with the U.S. Securities Act and the disclosure requirements of the stock exchange. By contrast, China's financial disclosure standards are relatively lax. The customization and enforcement of financial disclosure standards and processes are carried out by companies and accounting firms. Although China's securities market has complete financial disclosure standards and systems, their scope of enforcement is relatively small.

Secondly, there is a difference between Chinese and American markets in terms of information disclosure review scale. Although the US stock market has complete, comprehensive, true information disclosure requirements for issuers that are highly relevant to investment decisions, it does not interfere too much in how such information disclosure will affect investor decisions and market impact, and rarely makes value judgments on enterprise operation and shareholder structure. The overall listing review is relatively "wide entry". However, in contrast, the A-share registration system or even the Hong Kong stock market, in addition to requiring detailed information disclosure by the issuer, will still make a substantial assessment of the overall market and the impact on investors after listing.

Based on the dual political system of federal and state, the United States has generally established the "dual registration system" of federal disclosure supervision and state substantive review, and the basic model of exchange listing review. In China, based on the single regulatory system led by the CSRC, the administrative supervision of the securities regulator plays a dominant role in the issuance registration stage. In the listing stage, the self-regulation of the exchange takes on the role of substantive audit, and finally through the different listing requirements of each exchange, the concept of multi-level capital market in the country can be reflected.

The separation of offerings and listings in the United States allows exchanges to review listings only in the later stages of registration review by the Securities and Exchange Commission. In China, due to the adoption of listing review absorbing issuance review, the listing committee of the exchange not only reviews whether the listing conditions are met, but also pre-reviews whether the registration conditions are met. After the pre-review is passed, the CSRC makes a decision to approve or disapprove the registration on this basis.

The success of listing does not mean the end of the enterprise, after listing, it is more necessary to comply with laws and regulations, and strictly fulfill the obligation of information disclosure. Under the registration system of China and the United States, there is still a big difference in the supervision after listing. Although the US stock market is relatively "wide entry" in the listing review stage, the supervision after listing is "strict" enough. After more than 80 years of development, the US registration system has formed a regulatory orientation with information disclosure as the core, information disclosure rules and systems are mature and perfect, and there is a multi-level regulatory system with administrative supervision, self-regulatory supervision and social supervision, and the US stock market has a class action system, which imposes high penalties on fraud. In contrast, China has implemented the registration system for a short time, the information disclosure of listed companies is often a formality, and the enthusiasm and incentive of public participation in supervision are not good, so there are still many deficiencies in post-listing supervision. Although China's securities market has experienced more than 30 years of development, there is still a lot of room for improvement in a series of regulations, including the Company Law and the Securities Law.

In addition, there are also differences in the registration system in terms of the responsibility intermediaries for problems in listing process. The domestic registration system places the responsibility of some securities commissions and exchanges in the background of the approval system to the intermediary level, and emphasizes the responsibilities of the intermediary institutions, and the key element is the license system of domestic securities brokers. Once a company has serious problems in the listing process, the regulator will first take the relevant intermediary "open", which seriously affects the subsequent business and reputation of the intermediary. However, the United States pays more attention to the supervision of the public, because it has the short-selling and class action system, the intensity of the punishment for the fault of the intermediary is relatively low, even if it has an impact, because it is easy to apply for a license, it will not have a large negative effect.

4. Reasons for Differences between Chinese and American Registration Systems

As for the underlying reasons for the differences between the registration systems of China and the United States, the most important thing is whether there is policy guidance. China's market is a planned market, and the exchange rate is a managed float, so the registration system is guided by industrial policies in each sector of the country. In the domestic securities market, the government hopes to open the financing channel of enterprises through the registration system, and at the same time allow enterprises to choose suitable sectors according to their own characteristics, and fully and reasonably invest limited capital and resources into the fields that industrial policies hope to guide. However, in the stock market of the United States, there is no relevant policy guidance but the judgment power is left to the market. Although the questions raised by the US Securities and Exchange Commission inevitably contain elements of substantive judgment, they make it clear to the issuer as much as possible to help the market make investment decisions from the perspective of helping the market judge, and they will not determine whether the issuer can be listed because of their own judgment, which is still impossible to achieve under the existing external environment in China.

The US stock market is mainly composed of institutional investors, who are more professional than retail investors. Due to irrational factors such as emotional factors, the impact on the stock market is relatively small, and it has professional risk management ability and relatively perfect trading system. The domestic A-share market is dominated by individual investors, and retail investors are vulnerable groups in the securities market, which involves high difficulty and cost such as rights protection. Therefore, when the domestic registration system reviews the issuance of new shares and follow-up supervision, regulators need to protect the interests of stock market investors, especially the majority of non-professional small and medium-sized investors, so in the process of review and supervision will be "forced" to be relatively strict and harsh. For the more mature US stock market and professional institutional investors, more rights can be delegated to the market to adjust and judge.

The modern securities legal system of the United States originated from the Securities Act promulgated in 1933, which established the registration system. In addition, at the regulatory level, the information disclosure system of the United States stock market is unified, clear and concise. Since the beginning of the 21st century, scandals broke out in Enron, Worldcom and other enterprises, and regulators have strengthened accounting supervision, professional ethics, corporate governance and other principles of listed companies, deepened their own responsibilities, and reminded enterprises to pay attention to investors and their own internal risks, forming a joint force of departmental supervision and self-restraint.

After more than 30 years of development of China's capital market, relevant laws and regulations have been formulated, but the coordination of CSRC, exchanges, self-regulatory organizations and other departments needs to be improved and perfected. At present, the domestic A-share information disclosure rules are complex, and under the background of the securities market registration system reform, the relevant system provisions need to be adjusted as soon as possible. If the development of the capital market and the legal system does not keep up, it will lead to the lag of supervision, and it is difficult to playing the role of regulation , vigilance of the law.

5. Conclusion

To sum up, in China's stock market, there are many retail investors, and many investors lack experience, which makes the market fluctuate greatly and increases the market risk. Therefore, one must first improve the investor structure, advocate rational investment, cultivate institutional investors, constantly improve the competitiveness of institutional investors, and reduce the number of retail investors or individual investors. And guide rational investment, actively promote the development of investment and education work, cultivate investors' rational long-term value investment concept, and help them rationally choose investment strategies. China should improve the relevant legal system of stock market supervision and further increase the severity of punishment. One can learn from the experience of the United States, gradually improve the relevant regulatory laws, increase punishment for illegal acts, and maintain the orderly operation and healthy development of China's stock market. Focus on safeguarding the rights of investors, strict information disclosure system, severe punishment for cheating investors and intentionally concealing important information, and effectively safeguard the rights of investors. Through the improvement and perfection of the relevant legal system, governors will improve the relevant infrastructure of China's capital market and create a market environment conducive to investors.

With the practice of the registration system in domestic A-shares, China, based on the historical causes and phased characteristics of domestic issuance supervision, combined market practice with foreign reference, created A registration system model comfortable of China's country conditions, and showed consistent Chinese characteristics in this specific specifications of the registration system, and gradually explored a registration system suitable for China's country conditions and characteristics. Promoting of reform of the securities market and the development of the domestic capital market.

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